PROPOSED METRO RED LINE SEGMENTS 2 AND 3
BENEFIT ASSESSMENT PROGRAM

INTRODUCTION

A benefit assessment is a fee on properties to pay for costs of capital improvements specifically benefiting the area around the property. The Benefit Assessment District Program assumes that direct benefits accrue to private property owners located around rail stations since pedestrian movement and identification to the area increases dramatically and as such a limited contribution for local funding purposes is being implemented. Property owners can realize special benefits such as property appreciation, increased business patronage, and higher lease rates.

The proposed Segments 2 and 3 benefit assessment program described in this informational handout was approved by the Southern California Rapid Transit District (SCRTD) Board of Directors on March 8, 1990 after conducting a public hearing and receiving the recommendation of the Citizen Task Force, and has been sent to the Los Angeles City Council and the County Board of Supervisors for their action PLEASE NOTE THAT THIS PROGRAM MUST BE APPROVED BY THE CITY AND COUNTY BEFORE IT CAN BE FINALIZED.

The California State Public Utilities Code Section 33000, et seq., authorized the MTA to establish benefit assessment districts, subject to local governmental approval, to help fund the construction of the Los Angeles Metro Red Line project.

In April of 1993, the SCRTD and the Los Angeles County Transportation Commission (LACTC) merged by state law to form the Los Angeles County Metropolitan Transportation Authority (MTA). This agency now administers all activities formerly done by SCRTD and LACTC.

METRO RED LINE SEGMENTS 2 AND 3

Segments 2 and 3 of the Metro Red Line project connects to Segment 1 at MacArthur Park and extends 12.9 miles serving eleven stations along Wilshire Boulevard, Vermont Avenue, Hollywood Boulevard, Universal City and North Hollywood areas. Segments 2 and 3 are expected to open for service in three phases with completion in May 2000.

SEGMENTS 2 AND 3 BENEFIT ASSESSMENT PROPOSED DISTRICTS A3 THROUGH A8 AND BOUNDARIES

In October 1988, the SCRTD began establishing six new benefit assessment districts for the Metro Red Line Segments 2 and 3. The assessment districts collectively include 9,000 properties, all within one-half mile walking distance from the eleven stations. These proposed districts include:

> A3 (Wilshire) encompassing the three stations of Wilshire/Vermont, Wilshire/Normandie, and Wilshire/Western;

31145269

A4 (Vermont) encompassing three stations of Vermont/Beverly, Vermont/Santa Monica, and Vermont/Sunset;

A5 (Hollywood I) encompassing two stations of Hollywood/Western and Hollywood/Vine;

A6 (Hollywood II) encompassing the Hollywood/Highland station;

A7 (Universal City) encompassing the Universal City station at Lankershim and the Hollywood Freeway;

A8 (North Hollywood) encompassing North Hollywood station at Chandler/Lankershim

SCRTD has proposed six Segments 2 and 3 benefit assessment districts. (See attached maps.) For the most part, direct benefits from a rapid transit system occur because people walk to and from the stations creating additional pedestrian activity and improved access for properties near the stations. This results in increased levels of commercial activity and enhanced opportunities for commercial growth and real estate development. As a result, walking distance from station centers of 1/2 mile is the primary determinant of benefit assessment district boundaries. State law authorizes assessments up to a half-mile distance from station centers.

FUNDING

The Segments 2 and 3 benefit assessment program will contribute approximately three percent of the construction funding for this segment of the subway project. The majority (over 97 percent) of the construction funding for Metro Red Line Segments 2 and 3 is being provided by the Federal Government, the State of California, Los Angeles County and the City of Los Angeles. The State contribution comes from gas tax revenues, while County and City funds come from the 1/2 cent sales tax approved by the voters in 1980 (Proposition A) and 1989 (Proposition C).

Segments 2 and 3 construction will cost some $3.9 billion when completed. After all the governmental funds are contributed, there is a gap of $75 million needed to construct Segments 2 and 3. The Benefit Assessments are designed to raise these funds. Benefit assessment, by demonstrating a local private commitment, also helps Los Angeles compete for state and federal monies for the Metro Red Line and for future subway extensions. There is a genuine need for benefit assessment.

OPENING DATE OF STATION OPERATION AND ASSESSMENT INITIAL DATE

Assessments will start in each district when the Metro Red Line opens for service in that district. Assessments in each district will be collected for a maximum of twenty-nine (29) years. THE ANTICIPATED OPENING DATE OF STATION OPERATIONS AND THE INITIAL ASSESSMENT DATES ARE:

District A-3:	Wilshire	July 1996
District A-4:	Vermont	September 1998
District A-5:	Hollywood I	September 1998
District A-6:	Hollywood II	May 2000
District A-7:	Universal City	May 2000
District A-8:	North Hollywood	May 2000

If the subway is not open by these dates, the start date for the assessments will be delayed. If there are no delays in assessment start dates, the long term annual assessments for each district terminate as shown:

District A-3:	Wilshire	2025
District A-4:	Vermont	2027
District A-5:	Hollywood I	2027
District A-6:	Hollywood II	2029
District A-7:	Universal City	2029
District A-8:	North Hollywood	2029

ANTICIPATED ASSESSMENTS AND PAYMENT OPTIONS

Segments 2 and 3 Benefit Assessment Districts are to raise $75 million in construction costs. Based on the recommendations of the Benefit Assessment Task Force, the SCRTD Board of Directors approved four payments options property owners can use when paying their assessments. These are explained below:

Option 1: Payment of the assessment, administrative expenses, and bond costs in twenty-nine annual installments starting in the fiscal year that the Metro Red Line stations located within the district are open for revenue service. Depending when the bonds are issued and the interest rate at the time, the assessment rate could be around $0.15 to $0.18 per assessable foot.

Option 2: Payment of the assessment and administrative expenses in five annual installments starting during the construction period of the stations. Depending on when the funds are needed, the assessment rate could be around $0.20 to $0.25 per year per assessable foot for five years.

Option 3: Payment of the entire assessment and administrative costs in cash prior to the opening of the system in one lump sum. The amount is calculated as the present value of the amount due. Depending on when the funds are needed and the discount rate, the one time assessment rate could be around $1.00 per assessable foot.

Option 4: Payment of the entire assessment, administrative costs, bond issuance costs, and early bond retirement costs in one lump sum at the time of the system's opening. The rate would depend on when the funds are needed and the bond costs.

Property owners who wish to pay in advance (e.g., in order to avoid bond issuance and interest costs) may do so under one of three alternative payment options noted above. Advance payment is totally at the election of the property owner, and persons interested in more information on paying in advance should contact the Benefit Assessment District's staff at the MTA by phoning (213) 244-6582.

The estimated average assessment rate for all Segments 2 and 3 districts is eighteen cents ($0.18) per assessable square foot per year. The MTA may increase or decrease this annual rate in any given year to generate revenues necessary to cover bonds to finance the $75 million needed for construction. Bonds will be issued at the legally available interest rate, and growth in new construction and assessable square footage base will be used to lower the annual rate or end the assessments sooner. The maximum rate that could be charged is thirty-two cents ($0.32) per square foot in any year.

ASSESSABLE AND EXEMPT PROPERTIES

Benefit Assessment Districts assessment calculations will be based on the gross square footage of the improvement or the parcel, whichever is greater, for properties improved with offices, retail stores, hotels/motels, and other commercial uses. Residential properties, properties owned and used by a public agency or non profit entity are exempt from assessment. Manufacturing, wholesale along with vacancy due to code are non assessable and no fees are levied for these uses.

The following parcels and improvements are EXEMPT from assessment:

- Residential property - including single-family homes, condominiums, apartment buildings and long-term residential hotels.

- Property both owned and used by a public entity, and

- Property both owned and used by a qualified nonprofit organization. Nonprofit organizations are defined as those which qualify under Sections 202,203,206,207 and 214 of the California Revenue and Taxation code.

Combinations of ownership and use within these categories are also exempt. For example, a publicly owned property used by a nonprofit organization is exempt.

For properties where either ownership or use is not in an exempt category, the property is not exempt. For example, a public entity renting private office space is not exempt (e.g., the MTA Headquarters Building at 818 West Seventh Street is rented from a private owner as are several office buildings by government agencies).

WITH THE EXCEPTION OF THE EXEMPT PROPERTIES DISCUSSED ABOVE, THE FOLLOWING PROPERTIES WILL BE ASSESSED:

- Improvements used as office, commercial, retail, hotels, motels and freestanding commercial parking garages not used to meet zoning code parking requirements (these are referred to as "assessable improvements").

- Parcels area if applicable

Annual assessments for properties are calculated using either the square footage of the parcel or the square footage of the assessable improvements located on the parcel:

- For a parcel containing only assessable improvements such as office, retail, hotel or freestanding commercial parking improvements not required by zoning codes, the assessment is based on the gross square footage of improvements or square footage of the parcel, whichever is larger.

- For a parcel containing improvements that are not assessable, such as industrial, manufacturing, warehouse buildings and parking lots/non commercial parking structures, as well as for vacant property, the assessment is based on the square footage of the parcel.

For a parcel containing both assessable and non assessable improvements such as an office building and code required parking structure, the assessment is based on the gross square footage of the assessable improvement only (the office building but not the parking) or the square footage of the parcel whichever is larger. When a parcel contains a mix of assessable/non assessable and exempt uses, the calculation can become complex and parcel area prorated. Questions on these properties should be referred to the MTA Benefit Assessment Program staff by phoning (213) 244-6935 or (213) 244-6582 during normal business hours.

CALCULATING THE SQUARE FOOTAGE OF BUILDINGS

The gross square footage of a building is calculated from its outside dimensions. The building length is multiplied by its width and number of stories. Appropriate modifications are made for irregularly shaped buildings, internal open-air courtyards, and multi-floor atriums. If part of all of the ground floor of an atrium or open space is used for retail or commercial activity (such as a restaurant), the square footage of that space is assessable.

ASSESSMENT APPEALS

An assessment appeals process has been established by MTA. A property owner may petition the MTA staff, requesting that the property be excluded from benefit assessment on grounds that the real property sought to be excluded is not benefitted, or requesting a reduction of assessment on grounds that the assessment exceeds the benefit to the property. Types of appeals may include, but are not limited to, incorrect assessment of exempt uses or parcels, incorrect square footage of parcels or improvements, floor areas that are vacant due to requirements of regulatory codes, building inefficiency, or assessment of property not located in an assessment district.

BUILDINGS VACANT DUE TO REGULATORY CODES

If a building or part of a building legally must be vacant due to building, fire, safety, or other regulatory codes as enforced by a governmental jurisdiction, that building or portion is not assessable. If the entire building cannot be occupied, or if the square footage that can be occupied is less than the parcel square footage, the parcel square footage is used for the assessment.

ADJUSTING FOR BUILDING INEFFICIENCY

The assessment for an improvement is based on the total building gross square if 80% or more of the floor space is rentable. Such a building is considered efficient. The building is considered inefficient if less than 80% is rentable. For such cases, the gross square footage is reduced by the following factor: (80-X)/80, where X = the percent of the building that can be rented. For example, if only 60% of a building is rentable, the assessable areas is reduced by (80-60)/80 or 1/4. For these cases, if the assessable area of the building drops below the parcel area, the parcel square footage is assessed.

FOR FURTHER INFORMATION

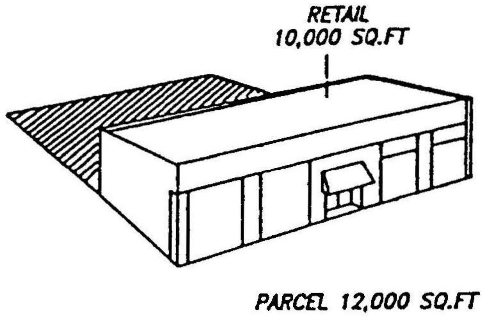
Contact the MTA Benefit Assessment Program Office at 818 West Seventh Street, Los Angeles CA 90017. Telephone (2~~13) 244-6935~~ or (2~~13) 244-6582.~~

This generalized explanation handout is provided for information purposes only. If any apparent conflict arises between this brochure and any statute or resolution that applies to benefit assessments, the language of the statute or MTA Board action shall prevail.

HANDOUT.PH2
5/11/93

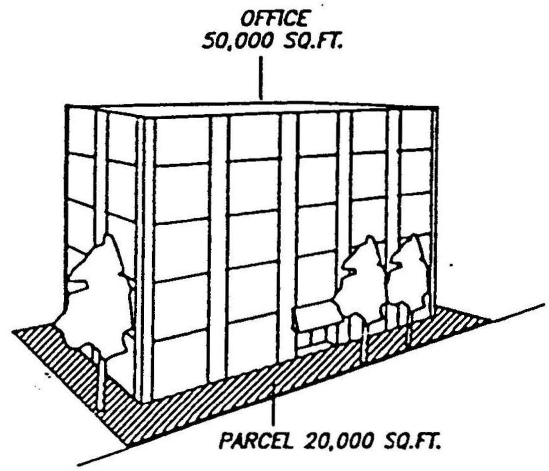
SAMPLE CALCULATIONS

PROPERTY 1
IMPROVEMENT–RETAIL
(IMPROVEMENT SMALLER THAN PARCEL)



A. Parcel: 12,000 Sq.Ft
B. Improvement: 10,000 Sq.Ft
C. 12,000 Sq. Ft. compared
to 10,000 Sq. Ft.
D. Estimated Average
Annual Assessment = $0.18 x 12,000 =
$2,160

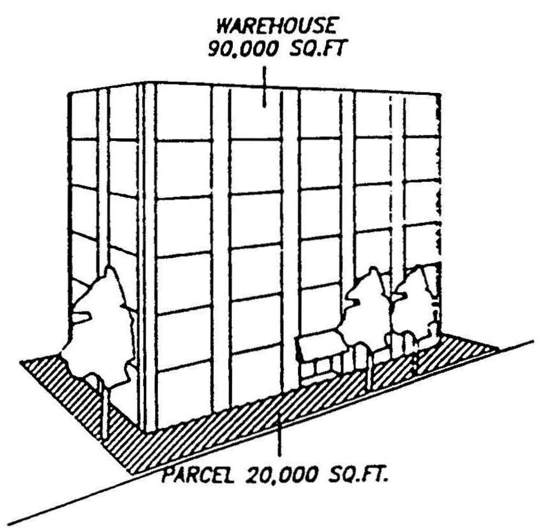
PROPERTY 2
IMPROVEMENT–OFFICE BUILDING*
(IMPROVEMENT LARGER THAN PARCEL)



A. Parcel: 20,000 Sq.Ft
B. Improvement: 50,000 Sq.Ft
C. 50,000 Sq. Ft. compared
to 20,000 Sq. Ft.
D. Estimated Average
Annual Assessment = $0.18 x 50,000 =
$9,000

*Note: If building contains floors
for parking, that square footage
is not included in the
improvement square footage

PROPERTY 3
IMPROVEMENT–WAREHOUSE*



A. Parcel: 20,000 Sq.Ft
B. Improvement: 90,000 Sq.Ft
C. Annual Assessment = 0.18 x 20,000 =
$3,600

*Note: Because of use, assessment
is based on parcel size only

109:bldg1a